

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6730

BILL NUMBER: SB 307

DATE PREPARED: Jan 2, 2002

BILL AMENDED:

SUBJECT: State Police Pre-1987 Pension Calculation.

FISCAL ANALYST: James Sperlik

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill revises the calculation of the supplemental benefit paid to retirees of the State Police Pre-1987 Benefit System.

Effective Date: July 1, 2002.

Explanation of State Expenditures: It has been assumed that this proposal will result in an increase only in the supplemental benefits. There will be an increase in unfunded actuarial liability of \$800,000. The supplemental benefits are paid on a "pay-as-you-go" basis. The table below provides an estimate of the increase in benefits payable over the next five years. However, the benefits would continue beyond the five years.

<u>Plan Year</u>	<u>Change in Expected Benefit Payouts</u>
2002-2003	\$20,600
2003-2004	\$19,000
2004-2005	\$16,600
2005-2006	\$15,400
2006-2007	\$13,600

The funds affected are the State General Fund (50%) and the Motor Vehicle Highway Account (50%), both of which equally support the State Police Benefit System.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Police.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for the State Police, 576-1508.

Unfunded Actuarial Liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.

Pay-As-You-Go Method Sometimes called current disbursement cost method, is a method of recognizing the costs of a retirement system only as benefits are paid.